

Minimum Wage Increases Lead to Economic Uncertainty:

A Case Study of the Proposed City of Los Angeles Minimum Wage Increase

As part of its ongoing commitment to providing data and economic analyses on issues impacting working families and the California economy, the Center for Jobs and the Economy has released a new report, "**Minimum Wage Increases Lead to Economic Uncertainty**," which provides an analysis of the City of Los Angeles's proposed \$30 per hour minimum wage.

Key Findings

Not Everyone Will See Increased Income

- The income effects of the proposed wage increase would differ based on factors like family composition, tax filing status, number of children, eligibility for income assistance programs, and whether workers retain their jobs and hours.
- The lowest wage gains, or losses in total income, would be in families with children due to the effect on tax credits and income assistance eligibility. **In particular, single-parent families show a small income loss or near break-even under this analysis.**

Ordinance Will Lead to More Than 10,000 Jobs Lost

- The report estimates that the ordinance could result in a considerable number of job losses, especially in the tourism industry, due to the increased payroll costs and resulting effect on tourism and travel as the affected employers are forced to increase their prices.
- The estimates in this study show a **10,670 job loss under \$25 and 12,630 under \$30.**
- The travel and tourism industry has yet to recover from the pandemic recession, and further uncertainty created by the minimum wage ordinance will disproportionately impact smaller hotels and small businesses.

A Double Hit to the City's Homelessness Crisis

- As wages rise, one particular effect is to shift to higher skilled workers capable of more flexible work tasks. Overall employment may be less affected, but demand in particular for lower skilled workers drops. **Those already operating on the edge of their incomes then become at greater risk for homelessness.**
- The most common reason cited by leaseholders (persons with their name on a lease or mortgage) for losing their last housing was loss of income, accounting for 21% of this group.
- An analysis of cities with a continuous rise in minimum wage estimates that a **10% rise in minimum wage increases relative homeless counts by 3-4%.**
- Previous research by Oxford Economics estimates that the \$30 per hour minimum wage will **decrease state and local tax revenue by \$142 million annually**, reducing funding for vital services like homelessness prevention and support.

Will Not Fix the City's Housing Crisis

- Household income gains could be quickly **outpaced by continued housing cost increases**, a 10.2% rise based on the 2019 factors and 8.5% based on 2021 would eliminate the wage gains. While workers remaining in their current housing likely would be able to remain ahead of the cost curve, workers seeking new housing for any number of reasons including being closer to work could see the affordability gains reduced or eliminated.

Read the Report at www.centerforjobs.org/ca